

Human Resources Division

B-241690

August 20, 1991

The Honorable Lamar Alexander
The Secretary of Education



151676

Dear Mr. Secretary:

We enjoyed meeting with you and your key executives to discuss GAO's general management review of the Department of Education (ED). We are impressed by the excellent team you are assembling and the vision you have created.

Although America 2000 and the National Goals constitute a major and important national education strategy, it is not a vision of what the Department itself needs to do. It does not articulate the departmental goals and objectives that must be accomplished if ED is going to support your agenda. Neither does it provide a vision for addressing ED's chronic management problems which, if left unaddressed, are likely to divert focus from the national education strategy. Based on our work to date--interviews with over 60 senior ED officials and reviews of supporting documents--we understand that it will be a challenge to integrate your vision with a parallel vision for upgrading Department operations and implementing that management vision.

Even before we conducted these interviews, we noted that Department operations have a history of fragmentation and not supporting secretarial goals. In fact, most senior ED executives we have interviewed said that the management infrastructure needs attention, echoing previous GAO observations and recommendations.

In our transition report¹ we observed that an effective management system had not been established for ED, and recommended that the Secretary develop a secretarial management system which included setting major goals and priorities, monitoring progress against these goals, and providing feedback to senior agency managers. In our study of the management of the Office of Special Education and

¹Education Issues (GAO/OCG-89-18TR, Nov. 1988).

Rehabilitative Services (OSERS)², we observed the same types of problems, as well as specific problems with grants management and federal/state relationships, and we made recommendations to set up a comprehensive component management system. Executives recently told us that the problems associated with the lack of goals and objectives discussed in that report were relevant to almost any component.

These management issues are still central to the effective operation of ED. Specifically, officials note major support system weaknesses in financial, information, and human resource management and performance monitoring--issues we will address in our next briefing. In addition, a lack of a secretarial-level management framework for setting clear goals and priorities or dealing with issues requiring long-term focus has inhibited effective departmentwide planning and management.

Senior executives repeatedly told us what happens when a departmental management vision is not created and supporting management systems are either not given high priority or not addressed quickly enough. The following comments from ED executives we interviewed illustrate the situation you inherited and the importance of having a process to set goals and ensure actions:

"[The former Secretary] seemed to know where he wanted to go but he didn't tell anyone."

". . .the policy-setting process was every man for himself. Priorities were set as a function of which assistant secretary was the most aggressive. Policy was set at the assistant secretary level with coordination by OPBE."

One top official with substantial experience in the private sector laughed when we asked about strategic management in the Department:

"I was accustomed to considerably more goal setting and tracking of progress against goals. In ED there was no management goal setting. Legislative policy, set by the Secretary and the White House policy authority,

²Department of Education: Management of the Office of Special Education and Rehabilitative Services (GAO/HRD-90-21BR, Nov. 28, 1989).

never connects with management goals and objectives . . . ED is not devoid of long-range planning, but it is not systematic or across all areas."

So many top officials--including those responsible for management--complained about being "out of the loop" regarding priority-setting, decision-making, information flow, and resource allocation, that at one point we decided there was no loop. However, we eventually found a small loop, but it was driven by the budget process. The only departmentwide management initiatives were imposed by the Office of Management and Budget (OMB) (the management-by-objectives process, the program accountability initiative, and the joint OMB/ED assessment of the student financial assistance programs).

In addition to problems with articulating strategic direction and planning, internal scanning mechanisms are incomplete. One consequence is that it allows the Secretary to be blindsided:

"The decision-making apparatus doesn't work on issues that keep bouncing around when there is no consensus . . . there is no way for the Secretary to know that issues are down there if no one decides to elevate them."

This is not to say that internal scanning does not take place. The joint OMB/ED study of student financial assistance, the activities of the Audit Resolution Committee, the Financial Integrity Act process, and several human resource management task forces all provide a wealth of information. However, the efforts have been fragmented; the current central process for identifying weaknesses has itself been called a material weakness; and the link has not been made between these processes, the external vision and management vision for ED, and efforts to improve the underlying weaknesses in major management systems.

Similarly, strategies have been developed that would have allowed the Department to move forward on management support issues, but frequently the efforts have disappeared into "black holes." These black holes appear to exist at virtually all levels of the organization. For example:

-- General Counsel suggestions to simplify regulations and get them through faster were given to the former Secretary, but no action was ever taken.

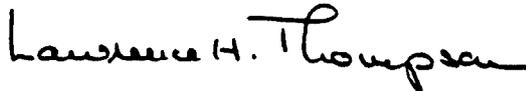
-- A human resources task force spent over a year thoroughly assessing the needs of education specialists throughout the Department. The report was submitted to the Deputy Under Secretary for Management but was never acknowledged or acted upon.

-- Several proactive Assistant Secretaries tried to implement a strategic planning process but gave up when the former Secretary declined to participate.

Because of the need to move quickly to establish a management vision and set the mechanisms in place to ensure a sustained impact on American education and the Department, you need to establish a process for linking strategic initiatives to ED's mission and addressing chronic operational problems. We believe that departmental management would be enhanced by a strategic management process, similar to the model we developed with the Department of Veterans Affairs³ (enclosed are (1) a chart depicting the strategic management process and (2) the basic definitions of the elements of the process). As Mr. Kearns observed, the process will give you a framework for supporting the America 2000 and National Goals long-term strategy, as well as facilitate measuring progress and ensuring accountability. It will also provide the vehicle for ensuring secretarial-level involvement with the solution of major management problems and implementing a quality improvement process.

Mr. Kearns indicated that he wanted us to work directly with Deputy Under Secretary for Management-designate Donald Laidlaw to implement the process in the Department. We look forward to working with Mr. Laidlaw and to briefing you in late September or early October on the detailed findings of our review.

Sincerely yours,

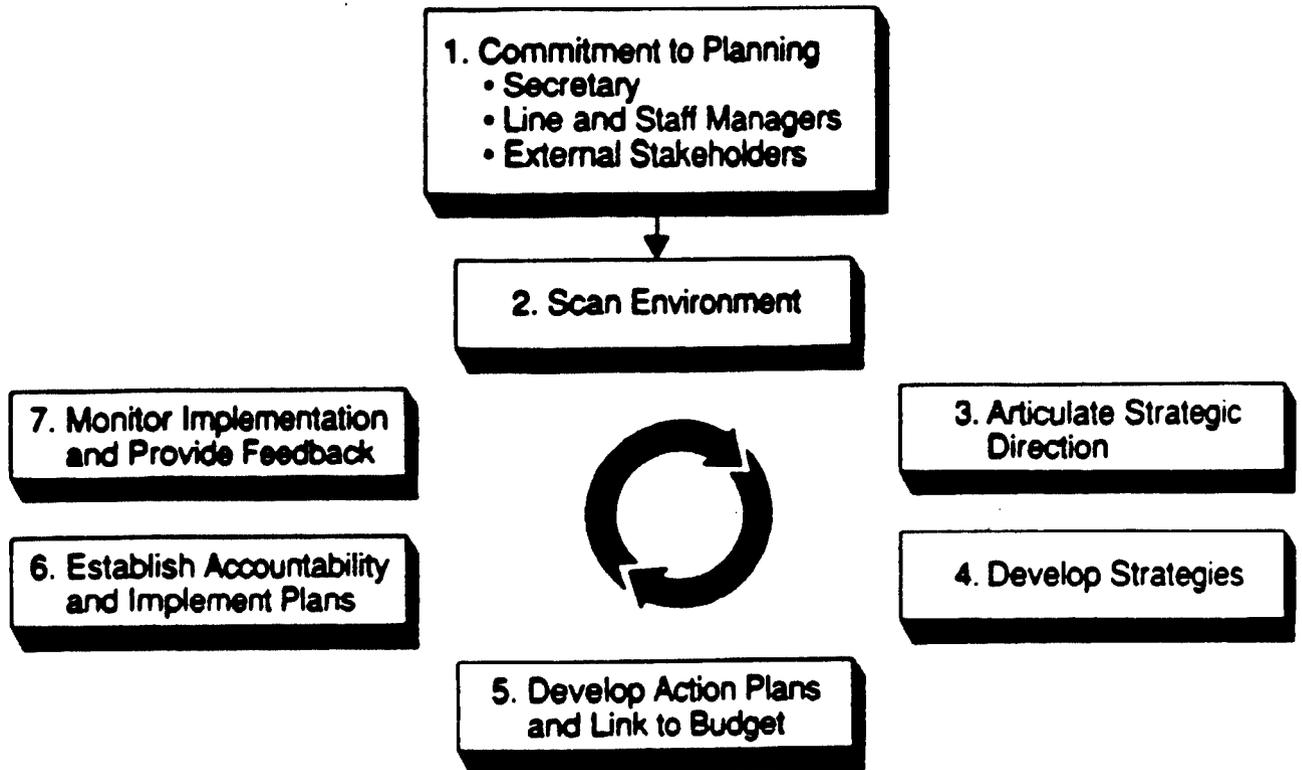


Lawrence H. Thompson
Assistant Comptroller General

Enclosures - 2

³Management of VA: Implementing Strategic Management Process Would Improve Service to Veterans (GAO/HRD-90-109, Aug. 31, 1990).

STRATEGIC MANAGEMENT PROCESS



ELEMENTS OF THE STRATEGIC MANAGEMENT PROCESS

The following is based on our earlier report, Management of VA: Implementing Strategic Management Process Would Improve Service to Veterans (GAO/HRD-90-109, Aug. 31, 1990), in which we defined the strategic management process as a process through which a department head can set a clear departmentwide direction and move the department toward achieving its goals through a disciplined, systematic process linking commitment and goal setting to strategies, budget and accountability.

ELEMENT 1:**COMMITMENT TO PLANNING**

The purpose of establishing a commitment to planning is to obtain the support of key groups for the strategic management process. Participants include the Secretary; key Department line¹ and staff managers; and representatives of external groups concerned with the Department's mission, including the Congress, interested organizations, and the Office of Management and Budget (OMB). The task in this segment of the process is to agree on ground rules for conducting the strategic management process. This initial agreement could cover critical aspects of the process, such as (1) its purpose; (2) who should participate; (3) how it will be conducted; (4) the roles and functions of key players; (5) other participants; (6) schedule of accomplishments; and (7) commitment of necessary resources.

**ELEMENT 2: SCAN
THE ENVIRONMENT**

The purpose of scanning the environment is to obtain data to identify and analyze a range of possible strategic issues and support decision-making throughout the process. Participants include Secretary and Department line and staff managers. Tasks associated with this element include (1) assessing the Department's internal and external environment and (2) identifying a range of possible strategic issues and their implications. Environmental scanning involves monitoring the Department's external and internal environments to identify a range of possible strategic issues facing it. External scanning identifies and assesses external conditions that may affect the Department in the future, including economic, demographic, socioeconomic, and technological trends. Internal

¹Line managers include those headquarters and in the field.

scanning identifies organizational strengths and weaknesses that may help or hinder attainment of strategic goals, including underlying weaknesses in major management systems.

**ELEMENT 3:
ARTICULATE THE
DEPARTMENT'S
STRATEGIC
DIRECTION**

The purpose of this phase is to envision in broad terms the Department's future direction. Participants include the Secretary; key line and staff managers; and representatives of external groups concerned with the Department's mission, including the Congress, interested organizations, and OMB. Tasks include (1) establishing a clear direction for the Department's future actions and (2) selecting the strategic issues that the process will address.

**ELEMENT 4:
DEVELOP STRATEGIES**

The purpose of this element is to select the best approaches to address each strategic issue and achieve the strategic direction. Participants include key Department line and staff managers. Key external groups participate as appropriate. Tasks in this phase include (1) identifying alternate strategies to address each strategic issue, (2) identifying barriers to and consequences of implementing alternatives, and (3) selecting the alternative with the greatest potential for success and support by external groups.

**ELEMENT 5:
DEVELOP ACTION
PLANS AND LINK TO
BUDGET**

The purpose of this phase is to develop action plans and obtain resources needed to implement selected strategies. Participants are primarily component (line) managers. Tasks include (1) developing detailed action plans based on selected strategies, and (2) ensuring that action plans shape budget submissions. Component managers must translate selected strategies into specific short- and long-term action plans that will move the Department in the desired direction. Action plans should:

- List in specific, measurable terms the outcome desired, so that it will be possible to determine whether the outcome has been achieved.

- Provide a time frame to attain the desired outcome, so that results can be measured at a specific point.
- Offer the expectation that, with the proper use of resources and staff, the desired outcome can be accomplished.
- Relate directly to a strategic issue, consistent with the Department's strategic direction.

**ELEMENT 6:
ESTABLISH
ACCOUNTABILITY AND
IMPLEMENT PLANS**

The purpose of this element is to assure implementation of action plans. Participants include agency managers and staff. Tasks include (1) assigning responsibility for implementing action plans, (2) making action plans a reality by incorporating them into operations, and (3) linking the individual reward system to plan implementation.

**ELEMENT 7:
MONITOR
IMPLEMENTATION AND
PROVIDE FEEDBACK**

The purpose of this phase is to evaluate progress in implementing action plans and ensure that relevant information flows between the components and the Office of the Secretary. Participants include the Secretary and agency managers. Tasks associated with this phase include (1) monitoring progress toward implementing action plans, (2) periodically reporting progress and problems to the Secretary, (3) assessing adequacy of action plans and taking necessary corrective measures, and (4) fine-tuning strategic management process as required.

The final two elements in the strategic process, assigning accountability and monitoring performance, represent the management dimension of the process and signify the importance of continued top management involvement to attain the desired outcome. Effective review and monitoring do not require extensive controls. The experiences at both VA and other agencies suggest that when monitoring becomes complex and involves excessive paperwork, strong opposition results.